

ST 00-0221-GIL 10/19/2000 MANUFACTURING MACHINERY AND EQUIPMENT

The Manufacturing Machinery and Equipment Exemption is not available for machinery or equipment used by retailers at retail locations for preparing individual orders to an individual retail customer's specifications because such operations are not commonly regarded as manufacturing. See 86 Ill. Adm. Code 130.330. (This is a GIL).

October 19, 2000

Dear Mr. Xxxxx:

This letter is in response to your letter dated August 25, 2000. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

We own a glass shop in CITY, IL. We purchased a polishing machine at a Glass Show in Las Vegas, Nevada.

We are writing to see if we qualify for the Equipment Exemption, Form ST-587.

We purchase large sheets of glass and pay sales tax on these items. Then we cut the glass, process it through the machine to polish the edges, then sell it to customers.

I contacted the Illinois Department of Revenue, and they suggested I write to you to make a ruling.

If you have any questions, please contact either #####.

Persons who sell glass products to end-users are making sales at retail subject to Retailers' Occupation Tax upon gross receipts. However, the purchase of glass that will be resold after processing is not subject to tax so long as the purchaser provides a certificate of resale that contains the information set out in 86 Ill. Adm. Code 130.1405, enclosed.

You have inquired about Form ST-557, Machinery and Equipment Exemption Certificate, which may be used to document the manufacturing machinery and equipment exemption. Enclosed is a copy of 86 Ill. Adm. Code 130.330 concerning the Manufacturing Machinery and Equipment Exemption. When determining whether a piece of equipment qualifies for the manufacturing machinery and equipment exemption, the requirements of 86 Ill. Adm. Code 130.330 must be met. This regulation describes the manufacturing process as the production of articles of tangible personal property or the assembling of different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material

or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant, Section 130.330(b)(2).

Glass polishing machines as described in your letter do not qualify for the manufacturing machinery and equipment exemption because the exemption is not available for machinery or equipment used by retailers at retail locations for preparing individual orders to an individual retail customer's specifications. This is because the process at a retailer's location is not commonly regarded as manufacturing. This is true even though the same machine used by a manufacturer might qualify.

A similar situation would be a sewing machine used to hem garments being manufactured by a clothing manufacturer and a sewing machine used by a retailer at a retail outlet to alter or hem garments to the specifications of individual retail customers. The former situation is commonly regarded as manufacturing and the latter situation is not. The fact that the sewing machines in both situations are similar or identical and are performing the same function does not transform the retailer's preparation of the item for retail sale into a manufacturing function.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz  
Associate Counsel

KWB:msk  
Enc.